Emerson
COLLEGE

Office of Administration
and Finance
120 Boylston Street
Boston, MA 02116

+1 617 824 8575
emerson.edu

Fiscal Year 2025 Financial Statements Summary Report

In accordance with "*An Act to Support Improved Financial Stability in Higher Education"* Massachusetts General Law Chapter 69, Section 31B (f), this supplement to the audited financial statements analyzes the Fiscal Year 2025 ("FY25") financial position and activities of Emerson College (the "College") for the year ended June 30, 2025. These financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") which follow the accrual basis of accounting. Fluctuations discussed below compare FY25 results to the GAAP-based financial statements for Fiscal Year 2024 ("FY24").

FY25 Summary

Highlights from financial statements:

- The College maintains strong financial assets and liquidity resources, totaling approximately $179M. A significant portion of these resources is cash and cash equivalents.
- Land, buildings and equipment, net at cost, amount to $720M, with associated debt on the buildings of $475M.
- Investment value increased by $28.4M in FY25, from $265M to $294M, driven by endowment additions and favorable market conditions.
- Overall change in total net assets reflects an increase of approximately $22M.
- Tuition and room and board revenues continue to account for close to 90% of total net operating revenues.
- Scholarship aid and grants to students increased from $74M to $78M, an approximate 4% increase.
- Operating income decreased by approximately $14M primarily due to a decline in net tuition revenue, while operating expenses remained fairly level.
- The College realized a nonoperating gain as a result of a successful bond refinancing during FY25.

Statement of Financial Position

The College's statement of financial position (balance sheet) and specifically net assets (total assets minus total liabilities) represents the overall wealth of the institution.

- Cash and short-term investments decreased by $8.7M, although ending FY25 at a healthy $111.9M. The decreases are generally due to a decrease in net tuition revenue coupled with capital spend from reserves and are partially offset by the timing of billing for the fall semester, which returned to typical timing in contrast to the delayed timing experienced in the prior year.
- Investments increased by $28.4M, reflecting a 12.7% endowment return and endowment additions of $4.4M, net of a $9.7M endowment draw to support operations.
- Land, buildings and equipment, net, decreased by $7.7M due to $21.5M of depreciation, offset by $13.8M of net additions and disposals.
- Bonds payable, net, decreased by $18.5M due to $11.7M of scheduled principal payments, $2.4M in amortization of bond issuance costs and premiums and an additional net reduction of $4.4M principal outstanding resulting from the debt refinancing during FY25.
- Student, contributions, and other receivables, net, decreased by $5.3M. This decrease is primarily attributed to the return to a regular fall semester billing schedule, in contrast to the prior year timing of fall semester billing, and the corresponding drawdown of federal funds disbursed to students. Prior-year delayed billing was impacted by the late roll out of the 2024 changes to the FISAP. The impact of this timing is also highlighted by the increase in deferred revenues of $4.2M from FY24, which reflects a more typical balance related to the collections for the upcoming fall semester.

Statement of Activities

The statement of activities is a report on the College's fiscal year profitability resulting from the operation of its educational mission as well as nonoperating activities such as reinvestment of endowment gains, gain on debt defeasance, gain on sale of land, buildings and equipment, and other net activity not driven by core operations.

- Tuition and fees, net, decreased by $15.9M, or 8.6%. This reflects a decrease in gross undergraduate tuition of approximately $10.2M, primarily driven by lower undergraduate enrollment, coupled with a less significant decrease in gross graduate tuition of $1.6M. In addition, the College increased scholarship aid and grants to students by $3.3M, an approximate 4.4% increase in aid, year-over-year.
- Other investment income of $8.5M reflects favorable returns on short- term investments.
- Total expenses remained relatively level in FY25 in comparison to FY24, increasing slightly by just $0.5M.
- The College reported a nonoperating net reinvested investment gain of $23.9M, which reflects market gains of $33.6M, reduced by $9.7M of investment income (draw from the endowment) available for operations.
- Perpetually restricted contributions of $3.4M in FY25 were favorable compared to recent years.
- The College also realized a nonoperating gain of $5.5M, resulting from a successful bond refinancing during FY25.

Statement of Cash Flows

The statement of cash flows reports the cash generated and used by the College during the fiscal year. Cash inflows/outflows are reported as one of three activities: Operating (amounts generated/used as a function of the College staying in business), Investing (amounts generated/used through investment activity, including fixed asset purchases and sales), and Financing (amounts generated/used as part of financial transactions such as debt borrowings, repayments, and refinancing).

Cash and short-term investments decreased by $8.7M in FY25. Net cash provided by operating activities was a positive $10M after adding back $19.2M of depreciation and amortization, while $9.9M was used for capital projects, net of investing activities and $8.7M of net cash used in financing activities, primarily debt service.

Financial Statement Footnotes

The footnotes to the financial statements also play an integral part in explaining the financial condition of the College. The footnotes contain language on accounting policies as well as other useful information at a more granular level than the face statements allow.

Footnote 3 discusses the liquidity and availability of financial resources. In addition to the $178.6M of financial assets and liquidity resources available for current use, as previously noted, the College has $205.2M of endowment assets without donor restrictions. Although the College does not intend to spend from these endowment resources, these resources could be accessed in an emergency. It provides comfort to rating agencies such as S&P and Moody's, as well as accreditation agencies such as the New England Commission of Higher Education ("NECHE") and others that Emerson College will be able to meet its financial obligations.

As shown in Footnote 6, the College's endowment value increased by $28.2M to $293.0M due to market gains of $33.6M and contributions of $4.4M, offset by the $9.7M drawdown from the endowment to support operations.

Footnote 12 shows the functional and natural classification of expenses for the College. The costs of operations and maintenance of plant, depreciation, and interest expense are allocated across each functional area based on percentage of square footage to reflect the full cost of those activities.